

Message Text

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C O N F I D E N T I A L STATE 134881

AIDAC

E.O; II652: GDS

SUBJ: FY 1974 FUNDING: CIP, ESF, AND HUMANITARIAN AID

REFS: A. STATE I26499 B. PHNOM PENH 6528

C. PHNOM PENH 6755 D; STATE I28729 E; PHNOM PENH 6620

1 FOLLOWING IS OUR FURTHER THINKING OF INITIAL FY 1974
FUNDING POSSIBLE UNDER CONTINUING RESOLUTION AUTHORITY;

2. CIP - APPRECIATE YOUR FORECAST FOR CIP LICENSING IN
FIRST QUARTER FY 1974. OVERALL AVAILABILITIES WILL NOT,
HOWEVER, ALLOW MORE THAN INITIAL OBLIGATION OF DOLS. 10 MIL-
LION IN JULY; IN VIEW OF UNCERTAINTIES RE LEVEL OF OFFSHORE
PROCUREMENT AND FUTURE OF POL BARTER ARRANGEMENTS, WE ARE
SEEKING AUTHORITY FOR ENTIRE DOLS; 10 MILLION TO BE AVAIL-
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ABLE FOR BOTH U.S; AND LDC (CODE 94I) PROCANEMENT-

3. OUR CURRENT INTENTION IS TO SEEK FURTHER BARTER AGREEMENT FROM USDA FOR UP TO DOLS; 3 MILLION IN POL PURCHASES TO FUND PROCUREMENT INTO THIRD QUARTER FY 1974. REMAINING DOLS; 7 MILLION WOULD BE AVAILABLE FOR GENERAL LICENSING AND FOR EMERGENCY AIRLIFTS (IN ADDITION TO REMAINING FUNDS RESERVED UNDER GRANT 606 FOR AIRLIFTS).

4. SINCE PRESIDENTIAL WAIVER FOR OFFSHORE PROCUREMENT OF RICE APPLIES ONLY TO USE OF FY 1973 FUNDS (GRANT 606) AND SINCE WE BELIEVE IT WOULD BE VERY DIFFICULT TO JUSTIFY ADDITIONAL WAIVER FOR FY 1974 FUNDS, BELIEVE WE SHOULD CONTINUE RESERVE REMAINING DOLS. 4.6 MILLION OF FY 1973 FUNDS (AFTER LATEST 5,000 MT THAI RICE PAID FOR) FOR USE IN PROCURING ADDITIONAL THAI RICE.

5. LATER IN THIS QUARTER, WHEN WE HAVE CLEARER PICTURE OF (A) WHETHER ANY OF ABOVE FUNDS RESERVED FOR RICE PURCHASES CAN BE RELEASED FOR OTHER PURPOSES, AND (B) NON-RICE CIP LICENSING TRENDS, WE WILL ATTEMPT MAKE SOME ADDITIONAL CIP FUNDS AVAILABLE IF REQUIRED. FOR TIME BEING, HOWEVER, BELIEVE BEST MEANS TO RATION CIP FUNDS IS TO RAISE EXCHANGE RATES FOR BOTH NOUVEAU MARCHÉ AND CIP. IMF MISSION, IN OUR VIEW, CLEARLY INTENDS TO RECOMMEND IMMEDIATE AND PROBABLY GRADUAL RATE INCREASE (SEE REF D). WE DISCUSSED LAST WEEK WITH CHABRIER, BEFORE IMF MISSION DEPARTED FOR PHNOM PENH, USEFULNESS OF HOLDING UP NEW CIP AGREEMENT UNTIL GKR AND IMF REACH AGREEMENT ON RAISING RATES. CHABRIER HAD NO OBJECTION TO U.S.; TAKING SUCH ACTION ON ITS OWN SO LONG AS FUND WAS NOT ASKED TO TIE ITS RECOMMENDATIONS TO DONOR FUNDING; THEREFORE SUGGEST YOU CONSIDER, AFTER PAAD APPROVED, DESIRABILITY OF MAKING NEW CIP FUNDS AVAILABLE IN TWO DOLS. 5 MILLION TRANCHES, FIRST TRANCHE RIGHT AWAY AND SECOND DOLS; 5 MILLION RELEASED ONLY AFTER MUTUAL U.S.-GKR AGREEMENT THAT EXCHANGE RATE SYSTEM FUNCTIONING PROPERLY; REQUEST YOUR COMMENTS THIS APPROACH.

6. RE REF C, ON REMAINING U.S. CONTRIBUTION TO CY 1973 ESF, WE ARE THINKING OF SEPTEMBER FUNDING OF DOLS. 4-5 MILLION PORTION ALTHOUGH MAY DEFER UNTIL SECOND QUARTER
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IF NOT NEEDED. IN MEANTIME, RE YOUR PROPOSED DISCUSSIONS WITH SOK CHHONG, REF C, PARA 5, WE ARE PREPARED TO STAND BY OUR ORIGINAL COMMITMENT TO MATCH UP TO ANOTHER DOLS; 1;5 MILLION OF GKR CONTRIBUTIONS TO THIS YEAR;S ESF; WHILE IT MAY BE USEFUL IN KHMER THINKING TO RELATE AN ADDITIONAL GKR CONTRIBUTION TO FREIGHT COSTS, IT SHOULD BE MADE CLEAR THAT ANY ADDITIONAL U.S. CONTRIBUTION WOULD BE IN SUPPORT OF OVERALL MATCHING FORMULA AND NOT IN

CONSIDERATION OF ANY SPECIFIC CATEGORY OF FUNDING NEED.

7; CONCUR PARAS 8 AND 9, REF B, RE FUNDS TO REFUGEES AND
TECH SUPPORT. ROGERS

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